Statement of Representative Edward J. Markey (D-MA)
House Floor Debate on
H.R. 4517, the "United States Refinery Revitalization Act of 2004"
Wednesday, June 16, 2004

Mr. Chairman, I rise in opposition to H.R. 4517.

This bill was introduced 10 days ago. It has never been the subject of any hearing in the Energy and Commerce Committee. We have never heard any testimony about what it might do, or what harm it might cause to public health and the environment. We never had any markup in the Energy and Commerce Committee where we could offer amendments. It comes to the House floor under a closed rule that prevents Members from offering amendments.

This is a terrible process, and it has produced a terrible product.

The bill before us today is based on the false premise that we need to weaken our environmental laws and run roughshod over state permitting requirements into order to "revitalize" the U.S. refining industry and build new refineries. That is absolute nonsense. The refinery industry doesn't need our help to be "revitalized." They are doing very well, thank you, and they have ample capital from the profits they are currently earning to invest in new refineries, or expansions in the capacity of existing refineries, IF they choose to do so.

Today, the biggest oil refiners in the United States are ExxonMobil, ConocoPhillips, BP, Valero, and Royal Dutch Shell. Together, they comprise more than 50% of domestic refinery capacity in the United States. Ten years ago, they only controlled about a third (34.5%) of domestic refinery capacity. So, how are they doing?

Valero Energy Corporation, reported record earnings in its April 2004 Quarterly report, noting that:

> "With respect to refined product fundamentals, gasoline margins remain at record levels…As we look at the balance of 2004, it's obvious that this is going to be another year of record earnings for us."

That's great news – if you are a Valero Energy Shareholder! Not so great, if you are an American gasoline consumer!

But what about the other refiners – perhaps they're hurting? Well, let's just take a look at Exxon-Mobil's May 2004 Quarterly Report. Here's what they have to say:

> U.S. downstream earnings were $393 million, up $218 million mainly due to higher refining margins.

Great news for Exxon-Mobil Shareholders! Their investment doesn't sound like it needs to be "revitalized" by federal legislation – does it?

How about ConocoPhillips? How are they doing? Guess what, there's good news again!

Here's what ConocoPhillips had to report in their April 2004 quarterly report:

> [Refining and Marketing] income from continuing operations was $464 million, up from $202 million in the previous quarter and $389 million in the first quarter of 2003. <u>Improvements over the fourth quarter of 2003 were primarily driven by higher refining margins.</u> These improvements were partially offset by lower U.S. retail and wholesale marketing

> margins, as well as higher energy costs. The improved results from the first quarter of 2003 were attributable to higher U.S. refining margins and volumes, partially offset by lower U.S. retail and wholesale marketing margins.

Isn't that just fantastic? ConocoPhillips shareholders must have been pleased as punch to hear that those high margin refinery operations were able to more than compensate for any tighter margins in retail or wholesale marketing operations!!!

What of BP? Again, we find good news for BP investors! According to BP's April 2004 Quarterly report:

> Refining margins in the first quarter strengthened relative to the fourth quarter 2003 in the face of declining product inventories, strong global oil demand growth and cold US weather. Margin gains were most pronounced in the US, where low gasoline inventories and specification changes raised concerns about supply during the coming driving season. Margins have begun the second quarter strongly, with low gasoline inventories and demand strength.

How about Royal Dutch Shell? Let's take a look. Well, according to their April 2004 Quarterly report:

> Industry refining margins were driven primarily by strength in gasoline and European margins found support from arbitrage opportunities to the US. In the first quarter of 2004, industry refining margins averaged $7.65, $9.60, $2.70 and $2.00 a barrel in US Gulf Coast, US West Coast, Rotterdam, and Singapore, compared to $6.40, $6.85, $3.90 and $2.05 a barrel in the same period last year.

Good news for Shell investors, but again, not so great news for gasoline consumers.

The fact is, oil industry consolidation, not environmental regulation, is what is really helping to create higher prices in the gasoline markets.

A May 2004 report by the General Accounting Office found that over 2,600 mergers have occurred in the U.S. petroleum industry since the mid-1990s, with most of these occurring later in the period. The GAO reported that these mergers have led to a substantial increase in market concentration in the oil industry, a reduction in the availability of lower priced "generic" gasoline compared to "branded gasoline, and in refiners preferring to deal with large distributors and retailers, leading to further market concentration in those businesses.

The GAO has concluded that oil company "mergers and increased market concentration generally led to higher wholesale gasoline prices in the United States from the mid-1990s through 2000." It found that "six of the eight mergers that GAO modeled led to price increases averaging between 1 and 2 cents per gallon." GAO also found that increased market concentration in the oil industry following these mergers also lead to increased prices, which GAO found had increased the wholesale price of gas in some regions of the country by 5 cents per gallon, and increased the price of "boutique fuels" sold in the East Coast and Gulf Coast regions by 1 cent per gallon, while prices for boutique fuels sold in California increased by over 7 cents per gallon.

Guess what the U.S. Refinery Revitalization bill does to address the problem of increasing market concentration and lack of competition in the oil industry? Absolutely Nothing!!!!!

That is what we should be debating here on the House floor today. That is what we should be legislating to correct. That is what we should be holding hearings on to investigate. But the

Republican-controlled Congress will not do anything to take on their friends and supporters in the oil industry. Today, I have joined with the gentleman from New Jersey (Mr. Pallone) and more than 50 other Democratic House Members to call on the Justice Department and the Federal Trade Commission to initiate an investigation into oil industry consolidation and the potential for the big oil companies to withhold supply in order to raise prices. We will see if the Bush Administration does anything meaningful in response.

American consumers will continue to be gouged at the gas pump as these and other companies exploit their control over refinery capacity to drive out competitors and raise prices. This Congress needs to address that issue, not waste its time trying to weaken environmental laws in the name of refinery revitalization.

I urge defeat of this bill.